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Compilation and review alert - 2007/08; Compilation and Review alert; Audit risk alerts

American Institute of Certified Public Accountants. Accounting and Review Services Committee

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COMPILATION AND REVIEW ALERT

Compilation and Review Alert — 2007/08

*Current Accounting,
Reporting, and Practice Issues*

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



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Compilation and Review Alert — 2007/08

*Current Accounting,
Reporting, and Practice Issues*

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Notice to Readers

This *Compilation and Review Alert* is intended to provide accountants with an update on recent practice issues and professional standards that affect compilation and review engagements.

This publication is an *other compilation and review publication* as defined in AR section 50, *Standards for Accounting and Review Services* (AICPA, *Professional Standards*, vol. 2). Other compilation and review publications have no authoritative status; however, they may help the accountant understand and apply the Statements on Standards for Accounting and Review Services.

If an accountant applies the guidance included in an other compilation and review publication, he or she should be satisfied that, in his or her judgment, it is both relevant to the circumstances of the engagement and appropriate. The guidance in this document has been reviewed by the AICPA Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted upon by any senior technical committee of the AICPA.

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Accounting and Auditing Publications

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How This Alert Helps You

.01 This *Compilation and Review Alert* (alert) is a crucial tool, designed to help you as you plan and perform your compilation and review engagements. This alert discusses recent Standards for Accounting and Review Services (SSARS) developments, addresses emerging practice issues, points out pitfalls that frequently occur in compilation and review engagements, and provides valuable current accounting developments.

.02 *References to Professional Standards.* When referring to the professional standards, this alert cites the applicable sections as codified in the *AICPA Professional Standards* and not the numbered statements, as appropriate. For example, SSARS No. 1, *Compilation and Review of Financial Statements*, would be referred to as AR section 100 of the *AICPA Professional Standards*.

Economic Developments

The State of the Economy

.03 When compiling or reviewing financial statements, you should possess a level of knowledge of the accounting principles and practices of the industry in which the entity operates that will enable you to compile or review the financial statements for an entity operating in that industry. Furthermore, to compile or review financial statements, you should possess a general understanding of the nature of the entity's business transactions. As part of this knowledge and understanding, you may obtain an understanding of the economic conditions facing the industry in which your client operates. Economic activities relating to factors such as interest rates, consumer confidence, overall economic expansion or contraction, inflation, and labor market conditions are likely to have an impact on your client.

.04 The U.S. real gross domestic product (GDP), the broadest measure of economic activity, measures output of goods and services by labor and property within the United States and increases as the economy grows. According to the Bureau of Economic Analysis, GDP increased at an annual rate of 2.9 percent in 2006, consistent with the pace of growth experienced in 2005 when GDP increased by 3.1 percent. During the first quarter of 2007, GDP increased by an annual rate of only 0.6 percent. However, according to second quarter preliminary estimates, GDP increased at an annual rate of 4.0 percent.

.05 The unemployment rate remained relatively unchanged during 2006, holding between 4.4 percent and 4.8 percent, with an annual average rate of 4.6 percent representing approximately 7 million people. The 2006 rates represent the lowest annual rate and total number of jobless since 2000, according to the U.S. Department of Labor, Bureau of Labor Statistics. During the first half of 2007, the unemployment rate averaged 4.5 percent. These data further demonstrate the economic growth the United States has experienced since the beginning of 2006.

.06 After a period of rising rates during the first half of 2006, the Federal Reserve kept its target for the federal funds rate at 5.25 percent for 10 consecutive meetings (June 2006–August 2007). At that time, the Federal Reserve indicated future federal fund rate adjustments would likely depend upon the outlook for economic growth and inflation. Since its August 2007 meeting and in response to shaky financial market conditions, the Federal Reserve has taken

several action steps. It announced that it would provide reserves as necessary through the open market to facilitate the orderly functioning of financial markets by promoting trading in the federal funds market at rates close to the 5.25 percent target rate. On August 17, 2007, it announced that financial market conditions had deteriorated and tighter credit conditions and increased uncertainty have the potential to restrain economic growth. Then, at its September meeting, the Federal Reserve decided to lower its target for the federal funds rate 50 basis points to 4.75 percent citing increased uncertainty surrounding the economic outlook. The Federal Reserve also decided to decrease the discount rate 50 basis points to 5.25 percent to consistently keep the spread between the primary credit rate and the target federal funds rate at 50 basis points. Accountants should remain alert to developments in the financial markets and how they may affect your compilation and review engagements.

Small Business Trends and Conditions

.07 Private companies, and more specifically, small businesses, are a main driver for the United States economy. According to the National Federation of Independent Businesses, small business produces roughly half of the private gross domestic product and between 60 percent and 80 percent of net new jobs. The United States has almost 6 million small business employers, 90 percent of which employ fewer than 20 people. Small firms represent 99.7 percent of all employers, and small firms with fewer than 500 employees represent 99.9 percent of the 26.8 million businesses in the country, both large and small.

.08 In August 2007, Discover Business Card released the results of the *Discover Small Business Watch*, a monthly index of economic confidence of the nation's 22 million small businesses with five or fewer employees. The *Discover Small Business Watch* (Watch) is based upon a nationally random survey of 1,000 small business owners and 4,000 potential users of small business products and services. The survey data is compiled by Rasmussen Reports, a leading independent public opinion polling company.

.09 Economic confidence among small business owners fell in August 2007 as small business owners expressed less confidence in the economic conditions for their business and experienced more cash flow issues. The Watch is down nearly five points over July 2007 and is nearly level with the Watch's lowest index since inception in August 2006.

.10 Among the key findings, the survey found that 36 percent of small business owners feel that economic conditions for their business are getting better, a significant decrease from 41 percent in July 2007. In addition, 41 percent said they have experienced cash flow issues in the last 90 days, an increase over July's 35 percent.

.11 One of the main reasons for the declines relates to the housing market slump and related economic impact. More than one in three business owners said recent changes in the housing market have had a significant impact on their business. In addition, more than one third of business owners also noted that if obtaining credit becomes more difficult, it will have an impact on their business. When asked what kind of effect the recent changes in the housing market have had on their personal budgets and financial decisions, more than one in three small business owners said the impact was significant. On the bright side, the poll also found that 42 percent of consumers said they expected houses in their area to be priced higher six months from now, which could help soften the impact on small business owners.

.12 Overall, the economic outlook remains uncertain. You should pay close attention to how economic factors such as interest rates, consumer confidence, the housing market, overall economic expansion or contraction, inflation, and the labor market will affect your clients and your compilation and review engagements this year.

Current SSARS Developments

Issuance of SSARS No. 15

.13 On July 24, 2007, the Accounting and Review Services Committee (ARSC) issued SSARS No. 15, *Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services* (AICPA, *Professional Standards*, vol. 2).

.14 In many instances, the SSARSs would refer the practitioner to Statements on Auditing Standards (SASs). However, for many practitioners, compilations and reviews represent the highest level of service performed, and therefore, those practitioners may be unfamiliar with the auditing literature. The ARSC determined that it would be in the best interest of practitioners performing compilations and reviews as well as in the public interest if certain references to the auditing literature were eliminated from the SSARSs. To accomplish this, the ARSC issued SSARS No. 15, which eliminates those references to auditing literature from the SSARSs and provides guidance similar to that originally referenced.

.15 SSARS No. 15 amends AR section 100, *Compilation and Review of Financial Statements*; AR section 200, *Reporting on Comparative Financial Statements*; AR section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms*; and AR section 400, *Communications Between Predecessor and Successor Accountants*, all of which are found in AICPA, *Professional Standards*, vol. 2. This SSARS provides new or enhanced guidance by:

- Providing a definition of "other comprehensive basis of accounting" (OCBOA)
- Providing examples of appropriate OCBOA financial statement titles
- Providing reporting examples for compilations and reviews of OCBOA financial statements
- Providing guidance related to an emphasis of a matter when reporting on compiled or reviewed financial statements
- Clarifying the accountant's responsibility with respect to facts discovered subsequent to the date of the accountant's compilation or review report
- Providing additional illustrative representations that may be appropriate for inclusion in the management representation letter
- Providing a new appendix, Appendix J, entitled "Sources of Generally Accepted Accounting Principles"

.16 In addition, because the appropriate guidance is now included in AR section 100, the following interpretations have been withdrawn by the issuance of SSARS No. 15:

- Interpretation No. 4, "Discovery of Information After the Date of the Accountant's Report" (AICPA, *Professional Standards*, vol. 2, AR sec. 9100.13–.15), which interpreted AR section 100, *Compilation and Review of Financial Statements* was rescinded.
- Interpretation No. 12, "Reporting on a Comprehensive Basis of Accounting Other Than Generally Accepted Accounting Principles" (AICPA, *Professional Standards*, vol. 2, AR sec. 9100.41–.45), which interpreted AR section 100 was rescinded.

.17 SSARS No. 15 is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2007, with earlier application permitted.

SSARS Exposure Draft, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*

.18 In December 2005, the Auditing Standards Board (ASB) issued SAS No. 102, *Defining Professional Requirements in Statements on Auditing Standards* (AICPA, *Professional Standards*, vol. 1). SAS No. 102 expressly defined imperatives used to describe different degrees of the auditor's responsibility when conducting audit engagements in accordance with generally accepted auditing standards. The ARSC has concluded that by defining the levels of responsibilities that accountants have in compilation and review engagements in a fashion similar to SAS No. 102, standards for compilation and review engagements will be clarified, and the imperatives used in such standards will be consistent with the standards for audit engagements. The ARSC further concluded that this clarity and consistency will assist accountants in their work and improve the quality of compilation and review engagements.

.19 The proposed SSARS defines two categories of professional requirements:

- *Unconditional Requirements.* The accountant is required to comply with a requirement in all cases in which the circumstances exist to which the requirement applies. A requirement is indicated by the words "must" or "is required."
- *Presumptive Requirements.* The accountant is also required to comply with a presumptive requirement in all cases in which the circumstances exist to which the presumptive requirement applies. The accountant may depart from a presumptive requirement provided that he or she documents the justification for departure and how alternative procedure(s) performed in the circumstances were sufficient to achieve the objectives of the presumptive requirement. The word "should" indicates a presumptive requirement.

.20 SSARSs also contain explanatory material that is intended to provide further explanation and guidance on the professional requirements. Such explanatory material is intended to be descriptive rather than imperative. All professional requirements that a SSARS imposes on the accountant will be identifiable by the use of "must," "is required," or "should" statements.

.21 This exposure draft was issued in August 2007, and the exposure period ends on October 25, 2007. The proposed SSARS, which is expected to be issued as SSARS No. 16 in the fourth quarter of 2007, will be effective upon issuance.

SSARS Exposure Draft, *Omnibus Statement on Standards for Accounting and Review Services—2008*

.22 In October 2007, the ARSC issued an exposure draft (ED) of a proposed Omnibus SSARS that, if issued as a final SSARS, would:

- Replace the term *nonpublic entity* in the SSARSs literature with the term *nonissuer*. This would conform the terminology in the SSARSs to the terminology used by other standards setters.
- Clarify the objectives and limitations of compilation and review engagements.
- Make clear that the accountant must, at a minimum, apply analytical procedures to the financial statements, make inquiries of management and, when deemed appropriate, other company personnel and obtain representations from management for all financial statements and periods covered by the accountant's report when performing a review engagement.
- Introduce a definition of "management" and revise the definition of "third parties" to clarify that the phrase "who are knowledgeable about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of financial statements" applies to "members of management."
- Revise SSARSs to state that management's written representations should be made as of the date of the accountant's review report.
- Provide guidance on the accountant's consideration of subsequent events in a compilation or review engagement.
- Provide guidance on the accountant's consideration, in a compilation or review engagement, of an entity's ability to continue as a going concern.

.23 In addition, the ED states:

"The accountant need not be in physical receipt of the management representation letter as of the date of the accountant's review report provided management has acknowledged that they will sign the representation letter, without exception."

.24 The Omnibus ED also proposes to add an exhibit on analytical procedures in a review engagement, as members have expressed a great deal of interest in the analytical procedures in the AICPA Issues Paper, *Analytical Procedures in a Review Engagement*. The issues paper was issued after the issuance of SSARS No. 10, *Performance of Review Engagements* (AICPA, *Professional Standards*, vol. 2), to provide additional guidance to accountants. The ED incorporates the guidance from that issues paper and expands upon such guidance. The comment period ends on December 28, 2007. The ARSC expects to issue the proposed SSARS as SSARS No. 17 in January 2008.

Recently Issued Compilation and Review Interpretations of the SSARS

.25 Compilation and review interpretations of the SSARSs are interpretive publications pursuant to AR section 50, *Standards for Accounting and Review Services* (AICPA, *Professional Standards*, vol. 2). Interpretive publications are not standards for accounting and review services. Interpretative publications are recommendations on the application of SSARSs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the SSARSs.

.26 The accountant should be aware of and consider interpretive publications applicable to his or her compilation or review. If the accountant does not apply the guidance included in an applicable interpretive publication, the accountant should be prepared to explain how he or she complied with the SSARSs provisions addressed by such guidance.

Interpretation No. 28—Special-Purpose Financial Statements

.27 In December 2006, a new interpretation of AR section 100 was added, Interpretation No. 28, "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions" (AICPA, *Professional Standards*, vol. 2, AR sec. 9100.109–.119), which addresses special-purpose financial statements to comply with contractual agreements or regulatory provisions. When asked to prepare such financial statements, the basis of accounting prescribed in the agreements or provisions may result in an incomplete presentation, but one that is otherwise in conformity with generally accepted accounting principles (GAAP) or OCBOA. When the accountant submits compiled or reviewed special-purpose financial statements prepared on a basis of accounting prescribed in a contractual agreement or regulatory provision that results in an incomplete presentation, but one that is otherwise prepared in conformity with GAAP or OCBOA, the accountant's report should be modified to include an explanatory paragraph with the following information:

- An explanation of what the financial statement is intended to present and a reference to the note to the special-purpose financial statement that describes the basis of presentation
- If the basis of presentation is in conformity with GAAP or OCBOA, a statement that the presentation is not intended to be a complete presentation of the entity's assets, liabilities, revenues, and expenses
- A separate paragraph at the end of the report stating that the report is intended solely for the information and use of those within the entity, the parties to the contract or agreement, the regulatory agency with which the report is being filed, or those with whom the entity is negotiating directly, and is not intended to be and should not be used by anyone other than these specified parties

.28 A second scenario that could result when asked to prepare financial statements in accordance with a contractual agreement or regulatory provision would be a presentation that is not in conformity with GAAP or OCBOA. When the accountant submits compiled or reviewed special-purpose financial statements prepared on a basis of accounting prescribed in an agreement that

results in a presentation that is not in conformity with GAAP or OCBOA, the accountant's report should be modified to include an explanatory paragraph with the following information:

- An explanation of what the presentation is intended to present and a reference to the note to the special-purpose financial statements that describes the basis of presentation
- A statement that the financial statement is not intended to be a presentation in conformity with GAAP or an OCBOA
- A description and the source of significant interpretations, if any, made by the company's management relating to the provisions of a relevant agreement
- A separate paragraph at the end of the report stating that the report is intended solely for the information and use of those within the entity, the parties to the contract or agreement, the regulatory agency with which the report is being filed, or those with whom the entity is negotiating directly, and is not intended to be and should not be used by anyone other than these specified parties. For example, if the financial statements have been prepared for the specified purpose of obtaining bank financing, the report's use should be restricted to the various banks with which the entity is negotiating the proposed financing.

.29 This interpretation also gives illustrative examples of both a compilation and review report for such circumstances.

Interpretation No. 29—Dealing With Uncertainties

.30 In February 2007, Interpretation No. 29, "Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern" (AICPA, *Professional Standards*, vol. 2, AR sec. 9100.120–.129), was issued, which addresses reporting during a compilation or review engagement an uncertainty, including an uncertainty about an entity's ability to continue as a going concern. Continuation of an entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. If, during the performance of compilation or review procedures, evidence or information comes to the accountant's attention that there may be an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being compiled or reviewed, the accountant should consider the adequacy of management's disclosure of the uncertainty.

.31 This interpretation provides examples of emphasis of the going concern in the compilation or review report. In addition, it addresses dealing with uncertainties other than a going concern, which may include uncertainties regarding legal judgments.

ARSC's Consideration of Independence in a Compilation Engagement

.32 As a result of the evolving complexity of the Independence Standards as codified in the AICPA *Code of Professional Conduct*, the ARSC issued a Discussion Memorandum/Survey in October 2005 to obtain the input of CPAs, their clients, and third-party users of compiled financial statements as to the need for independence when performing compilation engagements. During the seven

months that the Discussion Memorandum/Survey was available, the ARSC received over 4,300 responses. After holding a public meeting in May 2006 to discuss the results of the survey, the ARSC had determined that more information was needed as to what the users of compiled financial statements would want to see in compilation reports.

.33 The ARSC reached out to the American Bankers Association (ABA) and the Risk Management Association (RMA) to facilitate a meeting. On September 24, 2007, the ARSC met with representatives of the ABA and the RMA to discuss their groups concerns regarding independence in compilation engagements, as they represent third-party users of compiled financial statements.

.34 More specifically, topics discussed at the meeting included the following:

- Eighty-eight percent of third party users responded to the survey that they wanted to know the reasons for independence impairments, what specifically would they want third parties to know, and what would be the most useful presentation for third party users.
- Whether third party users feel that compiled or reviewed financial statements are more reliable if the accountant performs certain nonattest functions, even if performance impairs the accountant's independence.
- Whether the standard compilation and review reports should be modified to make them more useful to third party users.

.35 In conjunction with the ABA and RMA representatives, it was determined that additional information was needed from third-party users of compiled financial statements prior to developing any proposals to revise the reporting requirements for compilation engagements. During the fourth quarter of 2007, the ARSC will work with the ABA and RMA to develop certain additional questions and to facilitate acquiring the necessary information. The ARSC will continue to keep the membership informed as the process continues.

Current Practice Issues

AICPA Guidance for Bookkeeping Engagements

.36 The ARSC is assisting in the development of an AICPA Practice Aid for bookkeeping engagements. The practice aid, when issued, will focus on how existing standards apply to bookkeeping engagements, specifically Quality Control Standards, including client acceptance and continuance procedures and communication of best practices. In addition, the practice aid should address certain practical situations, such as whether a compilation report is necessary if financial statements are prepared, as well as issues regarding accountant independence. This practice aid is expected to be issued in 2008.

Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control*

.37 In September 2005, a task force was formed to review the Statements on Quality Control Standards (SQCS) and determine if and how they should be amended, in light of the changes in the quality control environment in the past two years, and with the goal of convergence with International Statement of

Quality Control Standard No. 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*. The task force comprises members from the ASB, the ARSC, the Peer Review Board, and the Center for Public Company Audit Firms Peer Review Committee.

.38 On October 10, 2007, SQCS No. 7, *A Firm's System of Quality Control* (AICPA, *Professional Standards*, vol. 2), was issued. This new SQCS supersedes existing statements on quality control standards and differs from them as follows:

- Defines the term *engagement quality control review*, and requires firms to establish which engagements are to be subject to an engagement quality control review.
- Defines the terminology the ASB uses to describe the degrees of responsibility that the requirements in SQCSs impose on firms, which includes use of the terms *unconditional requirements* and *presumptively mandatory requirements*.
- Requires a firm to document its quality control policies and procedures. The extent of the documentation is based on the size, structure, and nature of the firm's practice.
- Requires a firm's system of quality control to address each of the following elements: leadership responsibilities for quality within the firm, relevant ethical requirements, acceptance and continuance of client relationships, human resources, engagement performance, and monitoring.
- Recognizes the importance of a quality-oriented internal culture and requires firms to (a) establish policies that require the firm to assign its management responsibilities so that commercial considerations do not override the quality of work performed, and (b) address personnel performance evaluation, compensation, and advancement to demonstrate the firm's overarching commitment to quality.
- Provides more detailed guidance on independence and requires a written confirmation of compliance with independence requirements from all firm personnel at least annually.
- Provides more detailed guidance on client acceptance and continuance, and requires documentation of the resolution of significant issues.
- Provides more detailed guidance on engagement supervision and review, engagement documentation, and consultation policies and procedures.
- Requires policies and procedures for resolving differences of opinions, including a requirement that reports must not be released until all differences of opinions are resolved.
- Requires performance of monitoring procedures that are sufficiently comprehensive to enable the firm to assess compliance with all applicable professional standards and regulatory requirements, and the firm's quality control policies and procedures.

- Requires policies and procedures for dealing appropriately with complaints and allegations of noncompliance with professional standards or with the firm's system of quality control.

.39 This SQCS is effective as of January 1, 2009.

Common Peer Review Findings

.40 In 2006, the AICPA Peer Review Program reported approximately 10,100 peer reviews, of which approximately 5,100 pertained to compilation and review engagements. The importance of the peer review findings cannot be overemphasized. The following is a summary of some of the most recent significant deficiencies that an accountant should keep in mind when planning and staffing compilation and review engagements.

Reports, Financial Statement Measurement, Presentation, and Disclosure

.41 The following is a list of some deficiencies that were encountered with regards to financial reporting:

<i>Deficiency</i>	<i>Practical Example</i>
Departures from standard wording where the report does not contain the critical elements of the applicable standards	It is not uncommon to see compilation and review reports with no reference to the SSARs in those reports.
Issuance of a review report when the accountant is not independent with respect to the client	Although an accountant may report on compiled financial statements if he or she is not independent (by modifying the compilation report), the accountant may not issue a review report if he or she is not independent. In all cases in which the CPA issues an "assurance" report (audit or review) on the financial statements, the CPA must be independent with respect to the client in order to perform the engagement (that is, modifying the review report for a lack of independence is inappropriate).
Failure to disclose lack of independence in a compilation report	Although an accountant may report on compiled financial statements when he or she is not independent, the SSARs require modification of the compilation report to clearly indicate this lack of independence by adding a one-sentence paragraph to the compilation report, specifically, "I am [We are] not independent with respect to XYZ Company."

<i>Deficiency</i>	<i>Practical Example</i>
<p>Failure to disclose the omission of substantially all disclosures</p>	<p>A CPA may compile financial statements with disclosures omitted as long as the omission of disclosures is clearly indicated in the compilation report, and the disclosures are not omitted with the intent to "mislead" those who might reasonably be expected to use the financial statements. A third paragraph should be added to the compilation report as follows:</p> <p style="padding-left: 40px;">Management has elected to omit substantially all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.</p>
<p>Failure to disclose the omission of the statement of cash flows in financial statements prepared in accordance with GAAP</p>	<p>Pursuant to the guidance in FASB Statement No. 95, <i>Statement of Cash Flows</i>, if financial statements include both a balance sheet and an income statement, the statement of cash flows should be provided for each period that the income statement is provided. Given this fact, the statement of cash flows needs to be provided when the CPA reviews financial statements (or the failure to include the statement of cash flows should be disclosed as a departure from GAAP in the accountant's review report); the same issue or result would exist when the CPA compiles full-disclosure financial statements. However, if the CPA compiles financial statements in which management elects to omit substantially all disclosures, the omitted statement of cash flows can be "referenced" in the paragraph that reports the fact that disclosures have been omitted, as follows:</p> <p style="padding-left: 40px;">Management has elected to omit substantially all the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.</p>

(continued)

<i>Deficiency</i>	<i>Practical Example</i>
Significant departures from the financial statement formats prescribed by industry accounting and audit guides	In many cases, this deficiency is prevalent if CPAs are preparing and reporting on financial statements of clients in "special industries" in which they try to "fit" the standard financial statement formats for use in these industries. For example, for health care clients, there is a requirement for a "performance indicator" to be included in the financial statements. As another example, not-for-profit organizations have a statement of activities (rather than an income statement) in which all changes in net assets during a reporting period are reflected in that statement. If CPAs try to utilize formats that are applicable to the "normal" business entities, it is not uncommon for some of the special industry guidance not to be followed. You should refer to the appropriate AICPA audit and accounting guides when financial statements are being compiled or reviewed.
Omission of disclosures of significant accounting policies applied (GAAP or OCBOA)	As a result of significant changes in disclosure requirements in recent years, CPAs need to be careful not to "copy last-year" disclosures in current-year financial statements. Some of the required policy note disclosures are often easily missed. Commonly missed policy note disclosures include the nature of operations, use of estimates, advertising costs, shipping and handling costs, basis of accounting for receivables (and the bad debts associated with those receivables). All significant accounting policies should be included in GAAP and OCBOA financial statements.
Misclassification of a material transaction or balance	You should make sure that items, transactions, and events are classified appropriately in the financial statements.
Omission of significant required disclosures related to material financial statement balances or transactions	Always use a current disclosure checklist applicable to the basis of accounting used.
Omission of significant matters related to the understanding of the financial statements (the cumulative material effect of a number of deficiencies)	This deficiency occurs if several minor deficiencies result in a cumulative material effect on the financial statements when viewed in the aggregate.

SSARS Procedures and Documentation

.42 Below are some deficiencies that were noted in regards to specific SSARS procedures and related documentation:

<i>Deficiency</i>	<i>Practical Example</i>
Failure to document the matters covered in the accountant's inquiries and analytical procedures in review engagements	Inquiries and analytical procedures provide the basis for the limited assurance expressed in the review report, and must be documented. AR section 100 contains a list of required documentation for a review engagement, including the requirement to document significant expectations.
Failure to obtain a proper client management representation letter for a review engagement	A management representation letter is required in all review engagements. This letter should be updated to include all current information and cover all periods presented in the financial statements. These letters are not required in compilation engagements.

.43 Although there are many recurring deficiencies noted in peer review, the accountant can take steps to avoid them by keeping these common mistakes in mind during the planning and performance of future compilation and review engagements.

Recent AICPA Independence and Ethics Pronouncements

.44 The AICPA *Independence and Ethics Alert—2007/08* (product no. 022478kk) contains a complete update on new independence and ethics pronouncements. This alert can be obtained by calling the AICPA at (888) 777-7077 or going online at www.cpa2biz.com. Readers should obtain this alert to be aware of independence and ethics matters that will affect their practice.

Recent Accounting Pronouncements and Related Guidance

.45 Presented in the following table is a list of recently issued accounting pronouncements and related guidance. For information on accounting standards issued subsequent to the writing of this alert, please refer to the AICPA Web site at www.aicpa.org and the FASB Web site at www.fasb.org. You may also look for announcements of newly issued standards in the *CPA Letter* and *Journal of Accountancy*.

<i>Recent Accounting Pronouncements and Related Guidance</i>	
FASB Statement No. 159 (February 2007)	<i>The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115</i>
FASB Statement No. 158 (September 2006)	<i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)</i>

(continued)

<i>Recent Accounting Pronouncements and Related Guidance</i>	
FASB Statement No. 157 (September 2006)	<i>Fair Value Measurements</i>
FASB Interpretation No. 48 (June 2006)	<i>Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109</i>
FASB Emerging Issues Task Force (EITF) Issues (Various dates)	Go to www.fasb.org/eitf/agenda.shtml for a complete list of EITF Issues.
FASB Staff Positions (FSPs) (Various dates)	Go to www.fasb.org/fasb_staff_positions/ for a complete list of FSPs.
AICPA Statement of Position (SOP) 07-1 (AICPA, <i>Technical Practice Aids</i> , vol. 2, ACC sec. 10,930)	<i>Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies</i>
AICPA TPA TIS section 6140.20–.22 (AICPA, <i>Technical Practice Aids</i>) (Nonauthoritative)	This question and answer discusses not-for-profit organizations fund-raising expenses.
AICPA TPA TIS section 6931.08–.10 (AICPA, <i>Technical Practice Aids</i>) (Nonauthoritative)	This question and answer discusses various employee benefit plan topics.
AICPA TPA TIS section 6300.25–.35 (AICPA, <i>Technical Practice Aids</i>) (Nonauthoritative)	This question and answer discusses various issues related to SOP 05-1, <i>Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts</i> .
AICPA Practice Guide (Nonauthoritative)	"Practice Guide on Accounting for Uncertain Tax Positions Under FIN 48"

.46 Of the accounting pronouncements and related guidance listed in the previous table, those having particular significance to compilation and review engagements are briefly explained here. The following summaries are for informational purposes only and should not be relied upon as a substitute for a complete reading of the applicable standard. To obtain copies of AICPA literature, call (888) 777-7077 or go online at www.cpa2biz.com.

Fair Value Measurements

FASB Statement No. 157

.47 In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, to provide enhanced guidance for using fair value to measure assets and liabilities. This standard defines fair value and expands

disclosures about fair value measurements. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances.

.48 Prior to this statement, there were different definitions of fair value, and guidance for applying those definitions was dispersed among many accounting pronouncements. Difference in the existing guidance created inconsistencies that added to the complexity in applying GAAP. FASB Statement No. 157 provides increased consistency and comparability in fair value measurements. Expanded disclosures about the use of fair value to measure assets and liabilities should provide users of financial statements with better information about the use of fair value in the financial statements, the inputs used to develop the measurements, and the effect of the measurements on earnings (or changes in net assets) for the period. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted. Readers can access the full text of FASB Statement No. 157 on the FASB Web site at www.fasb.org.

FASB Statement No. 159

.49 Subsequent to the issuance of FASB Statement No. 157, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. This statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. FASB Statement No. 159 allows entities to choose to measure many financial instruments and certain other items at fair value. The standard permits an entity to elect the fair value option on an instrument-by-instrument basis; and once the election is made, it is irrevocable. This statement's objective is to improve financial reporting by providing entities with an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. In addition, FASB Statement No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The statement does not eliminate disclosure requirements included in other accounting standards, such as the requirements for disclosures about fair value measurements included in FASB Statement Nos. 107, *Disclosures about Fair Value of Financial Instruments*, and FASB Statement No. 157.

.50 FASB Statement No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157. The choice to adopt early should be made within 120 days of the beginning of the fiscal year of adoption (for calendar year end entities, by April 2007), provided the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year of adoption. The FASB and Securities and Exchange Commission (SEC) have expressed concern in the way some early adopters have applied the transition provisions of the standard. The AICPA Center for Audit Quality (CAQ) issued an alert on this development in April 2007. The alert advises auditors to exercise appropriate professional skepticism when evaluating if a principles-based standard

such as this is applied in a good faith manner consistent with those objectives and principles. Specifically the alert warns auditors to "be alert for circumstances in which an entity proposes to adopt FAS 159 in a manner that is contrary to the principles and objectives outlined in the standard." The alert can be accessed at www.thecaq.org/newsroom/pdfs/CAQPressRelease_041807a.pdf. Readers can access the full text of FASB Statement No. 159 on the FASB Web site at www.fasb.org.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*

.51 This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

.52 The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is recognition: The enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

.53 Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one of the following:

1. An increase in a liability for income taxes payable or a reduction of an income tax refund receivable
2. A reduction in a deferred tax asset or an increase in a deferred tax liability
3. Both items 1 and 2

.54 An enterprise that presents a classified statement of financial position should classify a liability for unrecognized tax benefits as current to the extent that the enterprise anticipates making a payment within one year or the operating cycle, if longer. An income tax liability should not be classified as a deferred tax liability unless it results from a taxable temporary difference (that is, a difference between the tax basis of an asset or a liability as calculated using this interpretation and its reported amount in the statement of financial position). This interpretation does not change the classification requirements for deferred taxes.

.55 Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FASB Statement No. 109 is not an appropriate substitute for the derecognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on the sufficiency of future taxable income is unchanged by this interpretation. This interpretation is effective for fiscal years beginning after December 15, 2006.

FIN 48 and Independence

.56 In some instances, making such determinations under FIN 48 can involve relatively complex judgments, and practitioners have asked whether they may assist clients in applying FIN 48 without impairing their independence. At its July 19–20, 2007 meeting, the Professional Ethics Executive Committee (PEEC) considered this question and concluded that a member may assist an attest client in applying FIN 48 provided that the member is satisfied that the client understands the reasons why a specific tax position does or does not meet the more-likely-than-not threshold and the basis for the determination of the amount of related unrecognized tax benefits. In making this determination, the PEEC referred to its longstanding position in AICPA Interpretation 101-3, *Performance of Nonattest Services*, General Requirement No. 2, that the requirement that the client's "designated individual" possess suitable skill, knowledge, or experience to oversee the services does not mean that the individual must possess the technical expertise that the member possesses or the ability to perform or reperform the services.

.57 The PEEC believes that in most cases a member should be able to advise the client about whether a tax position meets the more-likely-than-not threshold and the likelihood that portions of the related tax benefit will not be realized, and adequately inform them of the factors upon which the member's advice was based and thereby enable the client to make an informed judgment on the results of the member's services and take responsibility for the work. In those instances, the PEEC believes that assisting the client in applying FIN 48 would not impair the member's independence. The staff of the AICPA Professional Ethics Division has issued nonauthoritative guidance on this matter by adding Question and Answer No. 23 to the Questions and Answers that appear on the division's Web site at www.aicpa.org/download/ethics/nonattest_q_a.pdf.

On the Horizon

.58 Accountants should keep abreast of accounting developments and upcoming guidance that may affect their engagements. Presented in the following sections is brief information about some ongoing projects that have particular significance to your clients or that may result in significant changes. Remember that exposure drafts are nonauthoritative and cannot be used as a basis for changing existing standards.

.59 The following table lists the various standard-setting bodies' Web sites, where information may be obtained on outstanding exposure drafts, including downloading exposure drafts. These Web sites contain much more in-depth information about proposed standards and other projects in the pipeline. Many

more accounting and compilation and review projects exist in addition to those discussed here. Readers should refer to information provided by the various standard-setting bodies for further information.

<i>Standard-Setting Body</i>	<i>Web Site</i>
AICPA Auditing Standards Board (ASB)	www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Auditing+Standards+Board/
AICPA Accounting Standards Executive Committee (AcSEC)	www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Accounting+Standards/
AICPA Accounting and Review Services Committee (ARSC)	www.aicpa.org/members/div/auditstd/index.htm
Financial Accounting Standards Board (FASB)	www.fasb.org
Professional Ethics Executive Committee (PEEC)	www.aicpa.org/Professional+Resources/Professional+Ethics+Code+of+Professional+Conduct/Professional+Ethics/

Help Desk—The AICPA's standard-setting committees publish exposure drafts of proposed professional standards exclusively on the AICPA Web site. The AICPA will notify interested parties by e-mail about new exposure drafts. To be added to the notification list for all AICPA exposure drafts, send your e-mail address to service@aicpa.org. Indicate "exposure draft e-mail list" in the subject header field to help process your submission more efficiently. Include your full name, mailing address, and, if known, your membership and subscriber number in the message. The AICPA Web site also has connecting links to the other standard-setting bodies listed here.

SSARS Pipeline

.60 The ARSC is currently working on the following potential new projects.

ARSC Clarity Project

.61 The first step in the ARSC's clarity project is the issuance of the proposed SSARS, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*, as discussed in paragraphs .18–.21 of this alert. The provisions of this proposed statement will apply to existing SSARSs. Over the course of the next few years, the ARSC will examine the existing SSARSs and consider whether any additional revisions to the SSARSs are appropriate.

.62 In addition, the specific terms used to define professional requirements in the SSARSs are not intended to apply to interpretive publications

since interpretive publications are not accounting and review standards. It is the ARSC's intention to make conforming changes to the interpretive publications over the next several years to remove any language that would imply a professional requirement when none exists.

Recodification

.63 The ARSC is considering a reorganization of the codification of SSARSs. The resulting codification would be organized as follows:

- SSARS hierarchy
- Guidance with respect to compilations of financial statements
- Guidance with respect to reviews of financial statements
- Guidance with respect to compilations of specified elements, accounts, or items of a financial statement
- Guidance with respect to compilations of pro forma financial information

.64 The ARSC tentatively plans to expose a proposed SSARS during late 2008 or early 2009.

International Standards

.65 The ARSC is committed to harmonizing the SSARSs, where deemed appropriate, with the International Standards for Review Engagements (ISRE). During 2008, the ARSC will consider the guidance in the ISRE and whether revisions to the SSARSs are necessary. It is the belief of the ARSC that such harmonization will assist practitioners, especially those practitioners that are engaged to review the financial statements prepared in conformity with International Accounting Standards (IAS).

OCBOA Accounting Guidance

.66 Over the past few years, many practitioners have noted that it would be beneficial to have nonauthoritative accounting guidance as it relates to OCBOA. The ARSC will lead a cross-functional task force that will develop an OCBOA practice aid that will provide guidance to preparers. A practice aid is expected to be drafted in 2008.

Accounting Pipeline

.67 Presented below are accounting projects and pronouncements currently in process. Some of the proposed pronouncements discussed in the prior year alert have not been finalized as of the date of this writing, and thus are included again.

Business Combinations

.68 Phase one of the business combination project resulted in the issuance of FASB Statement No. 141, *Business Combinations*, and FASB Statement No. 142, *Goodwill and Other Intangible Assets*. In those statements, the FASB eliminated the use of the pooling of interests method of accounting for business combinations and addressed purchase accounting guidelines for acquired intangible assets and goodwill and goodwill impairment. The objective of phase two of this project is to standardize business combination accounting through the convergence of the FASB and International Accounting Standards Board

(IASB) accounting standards and by reconsidering the existing guidance for the purchase method of accounting for business combinations. Among the main proposals are:

- All acquisitions of businesses are to be measured at the fair value of the business acquired.
- Substantially all the assets acquired and liabilities assumed of the acquired business are to be recognized and measured at their fair values at the acquisition date.
- Entities that follow U.S. GAAP and international standards apply substantially the same accounting requirements for their business combinations.

.69 In June 2005, the FASB and IASB issued a number of exposure drafts, for which comment periods ended in October 2005. Redeliberations began in January 2006 and were completed in June 2007. The FASB and IASB expect to issue final statements during the fourth quarter of 2007. Four standards are expected to be issued:

- Proposed FASB Statement No. 141(R) and International Financial Reporting Standard (IFRS) No. 3(R), *Business Combinations*
- Proposed FASB Statement No. 160, *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries*
- Proposed IAS Statement No. 27(R)

.70 Readers should remain alert to the final issuances and visit the FASB Web site for further information.

Fair Value

.71 During phase one of the FASB's fair value option project, the FASB issued FASB Statement No. 159, which was previously discussed. In phase two of the project, the FASB will consider allowing the fair value option for certain nonfinancial assets and nonfinancial liabilities and deposit liabilities of depository institutions, which are excluded from the scope of FASB Statement No. 159. Deliberations on phase two are expected to begin in the third quarter of 2007. Readers should remain alert to developments by visiting the FASB Web site.

Derivative Disclosures

.72 In December 2006, the FASB issued an exposure draft titled, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*. The comment period for this exposure ended in March 2007, and the FASB has begun redeliberations to consider significant issues raised by respondents. The objective of this project is to provide guidance on enhanced disclosure requirements and balance sheet and income statement display of derivatives accounted for in accordance with FASB Statement No. 133 including how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under FASB Statement No. 133; and how derivative instruments affect an entity's financial position,

results of operations, and cash flows. Readers can monitor the progress of this project on the FASB Web site.

Transfers of Financial Assets

.73 The FASB is working on a project to amend FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125*, to address issues related to the permitted activities of a qualifying special-purpose entity (QSPE), isolation criteria, and other issues that arose during redeliberations on the amendment of FASB Statement No. 140 to improve comparability of financial statements. In August 2005, the FASB issued exposure draft, *Accounting for Transfers of Financial Assets*, which was a revision of a June 2003 exposure draft. During 2007, the FASB expects to address issues related to the permitted activities of a QSPE and then issue another exposure draft during the fourth quarter of 2007 containing potential amendments to FASB Statement No. 140. See the FASB Web site for complete information.

FASB Codification and Retrieval Project

.74 The goal of this FASB project is to create a single, authoritative codification of U.S. GAAP. The codification will integrate and topically organize all relevant accounting guidance issued by the U.S. standard setters (FASB, AICPA, EITF, and the SEC). The codification will have a three layered structure: topic, subtopic, and section. The FASB has structured the topics into three primary areas: overall presentation, transactional (or financial statement account), and industry. The overall presentation area addresses presentation of financial information but does not address items such as recognition, measurement, or derecognition. The transactional or financial statement account area addresses accounting recognition, measurement, or derecognition. The industry area includes guidance unique to the industry. A codification draft is expected in 2007 and will have an extended verification period to ensure that it accurately reflects U.S. GAAP. Once the FASB addresses respondent comments, the codification will become the single authoritative source of U.S. GAAP and will supersede all existing standards. Readers can track progress of the Codification and Retrieval Project on the FASB Web site at www.fasb.org/project/codification&retrieval.project.shtml.

GAAP Hierarchy

.75 This proposed statement would identify the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental companies that are presented in conformity with U.S. GAAP (or the GAAP hierarchy). The GAAP hierarchy is currently presented in AICPA SAS No. 69 (AICPA, *Professional Standards*, vol. 1, AU section 411). However, the FASB believes that the GAAP hierarchy should be directed specifically to companies because it is the company, not the accountant, which is responsible for selecting its accounting principles for financial statements. Accordingly, the FASB concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB. The FASB decided to carry forward the GAAP hierarchy as set forth in SAS No. 69, subject to certain modifications. The FASB staff will coordinate with the AICPA to ensure that each of the documents has a uniform effective date. Readers should be alert for the issuance of a final statement.

Proposed FASB EITFs and FSPs

.76 Proposed FASB EITF Issues. Numerous open issues are under deliberation by the EITF. Readers should visit the FASB Web site at www.fasb.org/eitf/agenda.shtml for complete information.

.77 Proposed FSPs. A number of proposed FSPs are currently in progress. Readers should visit the FASB Web site at www.fasb.org/fasb_staff_positions/ for complete information.

Resource Central

Publications

.78 The following publications deliver valuable guidance and practical assistance as tools to be used on your engagements (product numbers appear in parentheses):

- *Compilation and Review Engagements—Essential Questions and Answers* (product no. 006622kk)
- *Review Engagements: New and Expanded Guidance on Analytical Procedures and Inquiries* (product no. 006618kk)
- *Accounting Trends & Techniques, 61st Edition* (product no. 009899kk)
- *Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services—SSARS No. 15* (product no. 060653kk)
- *Compilation and Review Engagement Essentials* (product no. 733677)

AICPA reSOURCE: Accounting and Auditing Literature

.79 The AICPA has created your core accounting and auditing library online. AICPA reSOURCE is now customizable to suit your preferences or your firm's needs. Or, if you prefer to have access to the entire library, that is available too. Get access—anytime, anywhere—to the AICPA's latest *Professional Standards*, TPAs, Audit and Accounting Guides (more than 20), Audit Risk Alerts (more than 15), and *Accounting Trends & Techniques*. To subscribe to this essential online service for accounting professionals, go to www.cpa2biz.com.

Continuing Professional Education

.80 The AICPA offers a number of continuing professional education (CPE) courses that are valuable to CPAs performing compilation and review engagements. Visit www.cpa2biz.com for a complete list of CPE courses.

Online CPE

.81 AICPA CPExpress (formerly AICPA InfoBytes), offered exclusively through CPA2Biz.com, is AICPA's flagship online learning product. AICPA CPExpress now offers a free trial subscription to the entire product for up to 30 days. AICPA members pay \$149 (\$369 for nonmembers) for a new subscription and \$119 (\$369 for nonmembers) for the annual renewal. Divided into 1-credit and 2-credit courses that are available 24 hours a day, 7 days a week, AICPA CPExpress offers hundreds of hours of learning in a wide variety of topics. Some

topics of special interest to those performing compilation and review engagements include the following:

- *Accounting Services and Compilation Engagements: Documentation*
- *Compilation Engagements: Types and Scope*
- *Other Comprehensive Bases of Accounting (OCBOA): An Introduction*
- *Drafting Audit, Review, and Compilation Reports*
- *2007 Annual Update—A&A: Compilation and Review Update*
- *Compilation and Review Engagements: Quality Control*
- *Comp & Review Engagements: Environmental, Accounting, and Reporting Issues*
- *Comp & Review Engagements: New Standards and Performance Issues*
- *Compilation and Review: Documentation*
- *Review Engagement Reports*

.82 To register or learn more, visit www.cpa2biz.com.

Webcasts

.83 Stay plugged in to what is happening and earn CPE credit right from your desktop. AICPA Webcasts are high-quality, two-hour CPE programs that bring you the latest topics from the profession's leading experts. Broadcast live, they allow you to interact with the presenters and join in the discussion. If you cannot make the live event, each Webcast is archived and available on CD-ROM.

CFO Quarterly Roundtable Series

.84 The CFO Quarterly Roundtable Webcast Series, brought to you each calendar quarter, covers a broad array of "hot topics" that successful organizations employ and subjects that are important to the CFO's personal success. From financial reporting and budgeting and forecasting to asset management and operations, the roundtable helps CFOs, treasurers, controllers, and other financial executives excel in their demanding roles.

Member Service Center

.85 To order AICPA products, receive information about AICPA activities, and find help on your membership questions, call the AICPA Service Operations Center at (888) 777-7077.

Hotlines

Accounting and Auditing Technical Hotline

.86 Do you have a complex technical question about GAAP, other comprehensive bases of accounting, or other technical matters? If so, use the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. You can reach the Technical Hotline at (888) 777-7077.

Ethics Hotline

.87 In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA *Code of Professional Conduct*. You can reach the Ethics Hotline at (888) 777-7077.

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.88 This *Compilation and Review Alert* replaces *Compilation and Review Alert—2006/07*.

.89 The *Compilation and Review Alert* is published annually. As you encounter issues that you believe warrant discussion in next year's Alert, please feel free to share them with us. Any other comments that you have about this Alert would also be appreciated. You may e-mail these comments to kil-luzzi@aicpa.org or write to:

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220 Leigh Farm Road
Durham, NC 27707-8110

APPENDIX—Additional Web Resources

.90 Here are some useful Web sites that may provide valuable information to accountants.

<i>Web Site Name</i>	<i>Content</i>	<i>Web Site</i>
American Institute of CPAs (AICPA)	Summaries of recent auditing and other professional standards as well as other AICPA activities	www.aicpa.org www.cpa2biz.com
AICPA Accounting Standards Executive Committee (AcSEC)	Issues SOPs, guides, Practice Bulletins containing financial, accounting, and reporting recommendations, among other things	www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Auditing+and+Standards
AICPA Accounting and Review Services Committee (ARSC)	Develops and issues review and compilation standards and interpretations	www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Accounting+and+Review+Services+Committee
AICPA Professional Issues Task Force (PITF)	Accumulates and considers practice issues that appear to present concerns for practitioners and for disseminating information or guidance, as appropriate, in the form of practice alerts	www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Professional+Issues+Task+Force
Economy.com	Source for analysis, data, forecasts, and information on the United States and world economies	www.economy.com
The Federal Reserve Board	Key interest rates	www.federalreserve.gov
Financial Accounting Standards Board (FASB)	Summaries of recent accounting pronouncements and other FASB activities	www.fasb.org

(continued)

<i>Web Site Name</i>	<i>Content</i>	<i>Web Site</i>
USA.gov	Portal through which all government agencies can be accessed	www.usa.gov
Government Accountability Office (GAO)	Policy and guidance materials, reports on federal agency major rules	www.gao.gov
Governmental Accounting Standards Board (GASB)	Summaries of recent accounting pronouncements and other GASB activities	www.gasb.org
International Accounting Standards Board (IASB)	Summaries of International Financial Reporting Standards and International Accounting Standards	www.iasb.org
International Federation of Accountants (IFAC)	Information on standards-setting activities in the international arena	www.ifac.org